G-008/M-95-216

ORDER APPROVING THREE MISCELLANEOUS TARIFF CHANGES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs	Chair
Tom Burton	Commissioner
Marshall Johnson	Commissioner
Dee Knaak	Commissioner
Don Storm	Commissioner

In the Matter of Minnegasco's Petition for Approval of a Miscellaneous Rate Change to Revise its Tariffs in Response to Industry Changes Brought About by FERC Order 636

ISSUE DATE: December 7, 1995

DOCKET NO. G-008/M-95-216

ORDER APPROVING THREE MISCELLANEOUS TARIFF CHANGES

PROCEDURAL HISTORY

On April 14, 1995, Minnegasco submitted its proposal for several miscellaneous changes to its tariffed services (including balancing, curtailment and firm transportation provisions) to further the unbundling of those parts of its distribution service and to reflect changes that have occurred in the industry since pipeline unbundling under FERC Order 636.

Minnegasco also proposed a Small Volume Aggregated Firm Transportation Service Rider (Aggregation Rider). If approved, Minnegasco's Aggregation Rider, would allow gas marketers to aggregate Commercial and Industrial (C&I) customers into "pools" and sell gas directly to those customer pools on an aggregated basis.

In June and July 1995, intervenors and one participant submitted comments. Most of the comments were supportive. However, the Residential Utilities and Small Business Division of the Office of the Attorney General (RUD-OAG) contested Minnegasco's proposal to allow marketers to aggregate firm C&I customers.

On September 21, 1995, the Commission heard oral comments from parties and participants and deferred deliberations until a later meeting.

On October 5, 1995, Minnegasco submitted a document entitled *Proposed Resolutions* and a revision to its estimate of the rate impact of its proposed Aggregation Service. The Proposed Resolutions explain Minnegasco's position on the issues Minnegasco believes were resolved at hearing, or otherwise. Minnegasco's revision of the rate impact lowers the numbers by two-thirds.

On October 12, 1995, the Minnesota Department of Public Service (the Department) filed its comments regarding Minnegasco's October 5, 1995 filing.

On October 17, 1995, Enron Capital & Trade Resources (Enron) and UtiliCorp Energy Services and Broad Street Oil & Gas Co. (UtiliCorp) filed comments.

On October 24, 1995, RUD-OAG filed comments.

On October 25, 1995, Northern States Power Company Gas Utility (NSP) filed comments.

On November 29, 1995, Minnegasco filed a Petition to Postpone or Withdraw.

On November 30, 1995, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

A. Minnegasco's Petition to Postpone or Withdraw

Minnegasco stated that it continued to support the Aggregation Rider if all potential competitors including its affiliates were allowed to participate. The Company asserted that an affiliate ban would put its affiliated operations at an extreme competitive disadvantage.
Minnegasco requested that the Commission either

- ♦ remove the Aggregation Rider from the Commission's November 30, 1995 meeting agenda and encourage Minnegasco, the parties, and staff to attempt to resolve any remaining concerns

  or, in the alternative,

- ♦ allow Minnegasco to withdraw the Aggregation Rider at this time, without prejudice to re-filing it at a later date.

Minnegasco noted that its request applied only to the Aggregation Rider. The Company requested that, since there were no disputes regarding the proposed miscellaneous changes to its tariffed services, the Commission address those proposals at the November 30, 1995 Commission meeting.

After extensive discussion of this matter, the Commission tabled consideration of the Company's Aggregation Rider proposal. The parties are encouraged to continue their efforts to resolve remaining issues related to that proposal and return the matter for further consideration by the Commission in the near future.

B. Miscellaneous Uncontested Tariff Changes

Minnegasco made three miscellaneous tariff change proposals that have not been contested by any party and appear reasonable.

1. Penalties for Failure to Curtail

Minnegasco's current penalty tariff imposes a $1.00/therm charge upon interruptible customers when they do not stop taking gas after receiving a curtailment notice. The Company proposed to double the penalty to $2.00/therm on the second and all subsequent offenses during a heating season.

The Department initially objected to Minnegasco's proposal. The Department argued that the current $1.00/therm penalty is sufficient to get the customer's attention. The Department stated that customers failing to curtail after being asked to do so should be switched to firm rates and service.

At the hearing on September 21, 1995, the Department changed its position and recommended approval of the higher penalty charges. The Department noted that if the higher penalty charges were approved, they would still be subject to review in the Company's 1995 rate case, Docket No. G-008/GR-95-700. Also at the September 21, 1995 meeting, Minnegasco and the Department agreed that penalty charges collected from customers would be used first to offset the penalties Minnegasco pays to Northern Natural Gas (Northern), the pipeline, and second as a credit to utility revenue, which is an "above-the-line" revenue account.

At issue between the Company and the Department before the Department withdrew its objection was what would provide interruptible customers with the best incentive to stop taking gas when requested: the increased penalty proposed by Minnegasco or charging the customer the firm rate. The Commission finds that the Company's proposal is reasonable and will approve it, subject of course to review in the Company's general rate case.

2. Telemetry Equipment

Minnegasco proposed that all Small Volume Dual Fuel (SVDF) customers[1] be required to accept and pay for telemetry equipment. Telemetry equipment allows Minnegasco to read each customer's gas meter by telephone on a daily basis. The Company estimated the average cost of the equipment (installed) would be approximately $1,000 per customer. The Company proposed to bill each customer in 12 equal, monthly installments. Minnegasco explained that it needed this level of meter reading capability and control so that it could enforce the higher penalty charges proposed in this docket.

The Department did not oppose Minnegasco's proposal but indicated that it would review this issue in the Company's upcoming 1995 rate case.

The Commission finds that the Company's proposal is reasonable and will approve it. The telemetry equipment is necessary to enable the Company to maintain operational control over SVDF customers' gas usage and the Company's distribution system.

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[1] SVDF customers were formerly called small volume interruptible customers. Minnegasco divides the SVDF class into two parts: 1) customers using less than 120,000 therms of gas per year and 2) customers using 120,000 therms of gas or more per year.

3. Balancing Provisions

a. Minnegasco's Proposal

Minnegasco proposed to impose daily balancing requirements on its transport customers that are the same as the balancing requirements imposed on Minnegasco by Northern, Minnegasco's transportation supplier. Minnegasco proposed that its customers would be required to manage daily deliveries and receipts within 5 percent of nominated volumes to avoid out-of-balance penalty charges equal to the Daily Delivery Variance Charges (DDVC) that Minnegasco is required to pay Northern for out-of-balance incidents pursuant to Northern's tariffs.

Minnegasco also proposed a revision of the way monthly imbalances are cashed out for individual firm transportation customers. The Company proposed to change the price it uses to cash out its transport customers' monthly imbalance positions. Instead of cashing out at its weighted-average-cost-of-gas (WACOG), the Company would purchase over-deliveries from customers at 80 percent of the index price and would sell gas, equivalent in volume to the under-delivered amount, at 120 percent of the index price. Minnegasco proposed to credit any revenue it receives from the monthly imbalance cash-outs to its sales customers' actual cost of gas.

b. The Department's Comments

The Department stated that the Company's proposed balancing penalties adequately reflect the pipeline's (Northern's) tariffed balancing requirements. The Department also stated that the Company's monthly cash-out proposal was appropriate because it would discourage shippers from attempting to arbitrage against Minnegasco's posted price for commodity supply. Finally, the Department stated that the 5 percent tolerance levels are reasonable and that crediting penalty revenue to firm and interruptible sales customers' cost of gas would be appropriate.

c. UtiliCorp's Comments

UtiliCorp requested clarification of how the monthly imbalance amount was computed. Specifically UtiliCorp requested clarification of the term "on a cycle basis" and the use of customer load estimates. The Company responded that peaking sales would not be included in the calculation of a customer's monthly imbalance. The Company proposed revised language to make this clear.

UtiliCorp also objected (as a potential aggregator under the proposed Aggregation Rider) to the possibility of being charged twice for an imbalance occurrence. The objecting parties argued that a double penalty obligation could occur if an aggregator's supply failed and the aggregator was assessed a penalty first by Northern and then a second time by Minnegasco.

Minnegasco responded that under its proposed tariff the monthly imbalance positions of aggregated loads would not be subject to the 20 percent premium or discount. The Company noted that its proposed Aggregation Rider provides for cash-out for aggregated loads at 100 percent of the index price once a year based on actual consumption.

d. Commission Analysis

Based on the Company's response to UtiliCorp, the Commission finds that there is no objection to the Company's proposal at this time. More important, the Commission finds that Minnegasco's transportation balancing provisions are fair and reasonable and will approve them.

ORDER

1. Minnegasco's tariff proposals regarding penalties for failure to curtail and telemetry equipment and its revised tariff proposal regarding balancing terms and out-of-balance charges are approved.

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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